A

File No. 229(L)

Collection No.

19 31.

Mysore Residency

Bangalore.

(12)

Pros. Serial Nos. 1- 8

Subject.

Instructions from Central Board of Revenue regarding measures to prevent incometax evasion.

Previous References.

Later References.

F.No.646 of 1934.

S. 97.—(Blue).

MFP—168S&P—(M-184)—11.8.34—60,000.

FILE No. 229(L) 1931.

Section. File No.

Heading. Serial No.

NOTES.

DEPT. BRANCH.

Pros. 19 Nos.

Subject.

Instructions from Central Board of Revenue regarding measures to prevent incometax evasion.

Notes and Orders.

SGPI—FP—379DCFMis.—4-12-24—2,00,000.

SW1 (A) D.O.C.No.732(II)-I.T./32 dated the 24th March, 1932, from the Central Board of Revenue.

(B) D.O.C.No.732(III)-I.T./32 dated the 24th March, 1932, from the Central Board of Revenue.

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1 Draft submitted.

19-4-32

Sec/S Issue & Resident to see

SW 3 (C) Issued: No.2999 dated the 30th April, 1932.

3 Submitted.

Resident. 7.5.32

8.5

11/5

S.N.4

P.U.C.

Demi-official letter dated the 11th May, 1932, f
the Assistant Commissioner of Income-tax, C & M Stati
Bangalore.

(4)

Please see Sls. 1, 2, 3 and p.u.c.

Two draft replies are submitted for approval.

30-5-32

1 From (para 4)

Supdt.

9/6

See 3/6

P.N: 5 + 6

Issued No.3793-94, dated 6th June 1932.

S.N.7
p.u.c.

D.O.C.No.732(III)-I.T/31, dated the 13th June, 1932, from the Central Board of Revenue.

Please see S.N.6 (2 and 6).

Submitted for information.

A copy of p.u.c. may be sent to the Collector and Assistant Commissioner of Income-tax.

Draft d.o. submitted.

K.D.Narayan
22-6-32

Supdt.

Sec'y

Issue & Head Asst.

S.N.8 Issued No, 4250 dated the 28th June, 1932.

CORRESPONDENCE.

30 MAR 1932
Regd. No. 3057.
File No. 229 L 31

738(II)-I.T./32.

CENTRAL BOARD OF REVENUE.
New Delhi, the 26th March, 1932.

rkbride,

INCOME-TAX MANUAL - LEGISLATION.

In the course of discussions with the European group in regard to measures to prevent income-tax evasion, it was stated

(a) that Commissioners did not always refuse to disallow deductions of interest paid and claimed as business expenditure (especially interest on debentures), and

(b) that such information, when furnished, was not always used.

2. Please let me know what your practice is. Of course the Income-tax Officer has no locus under to compel an assessee to compile lists of payments of interest with addresses of the recipients and furnish them to him, but he has power to call for the accounts of an assessee company/and to extract from them such information and he has power to refuse to allow any trading business expense unless he is given full information in regard to it including the name and address of the payee, which will enable him to satisfy himself that the claim is genuine. It is always open to the Income-tax Officer, if he does not call for an assessee's accounts to ask the assessee to furnish such information, pointing out that this will save him the trouble of producing his accounts. Even if the accounts are called for, it is still open to the Income-tax Officer to point out that if the assessee compiles this information and produces it along with the accounts so that the Income-tax Officer can check it with the accounts, that may obviate the necessity for examining the accounts in detail which otherwise necessary.

3. Unless you see any objection, will you please issue instructions to all your Income-tax Officers to follow this procedure in regard to all assessees except Banks. For the present Banks should not be asked to furnish this information unless by any chance they have been furnishing it already. It would of course be reasonable not to trouble assessees to furnish details of large numbers of individually small items and the Income-tax Officer should always, as agreed, proceed in a tactful manner and do his best to avoid friction and complaints. Also I need hardly add that when such information has been compiled, full use should be made of it.

4. It now seems likely that legislation may be undertaken to place on all assessees including Banks the obligation to furnish information regarding interest payments similar to those imposed on companies in respect of dividends by Section 19A.

Yours sincerely,

A. Totenham

24.5.32.

To

Captain G.Kirkbride, (or Successor)
Commissioner of Income-tax,
BANGALORE

D.O.C.No.73B(III)-I.T./32.

CENTRAL BOARD OF REVENUE.
New Delhi, the 24th March, 1932.

My dear Kirkbride,

INCOME-TAX EVASION : PROSECUTIONS.

In the course of discussions in connection with the possibility of taking steps to minimise the extent to which evasion of income-tax occurs, it has been suggested that it might be suitable to prosecute more freely under sections 51 and 52 of the Indian Income-tax Act, in particular that a few prosecutions of persons occupying a prominent position in the public view owing to their wealth or social standing or for any other reason, might have a particularly wholesome effect. Will you kindly let me know, as soon as possible, whether you would be inclined to say on the one hand whether you think, or could, the objections to prosecutions such as the above would certainly be counterbalanced by the salutary effect which a few convictions might have, or on the other hand whether you think, in view of the existence of certain penalties, and in what it is proposed to do, that the chances of a successful prosecution would really have any appreciable effect. At the same time I think that consideration in a case which is dealt with discretion in the way I have suggested would have a good effect and I shall be glad to know what you think on the subject also. The idea would be, of course, that conviction should not generally be resorted to, except where the Commissioner did not feel reasonably sure that a conviction could be obtained, actually resulting in the imposition of a fine and the ultimate object of securing recovery, it is quite necessary to punish

OFFICE OF THE RESIDENT IN MYSORE.
BANGALORE.
30 MAR 1932
Regd. No. 3a.56
File No.

[illegible] communicate.

Yours sincerely,

24.3.32.

To

Captain [illegible] (or Successor)

[illegible] 1st
BANGALORE.

M.A.

No 2999
Enc. 2

30th April 1932

From

Secretary to the Resident
& Commissioner of Income-tax.

To

The Collector & Assistant Commr.
of Income-tax, C. & M. Station,
Bangalore.

Measures to prevent income-tax evasion.

D.O.

I enclose for your remarks copies of two demi-official letters D.O.C.Nos. 732(II)-I.T./32 and 732(III)-I.T./32, dated the 24th March, 1932, from the Central Board of Revenue, regarding measures to prevent income-tax evasion. With regard to paragraph 3 of the former, will you kindly issue necessary instructions to the Income-tax Officer?

Yours.....

19-4-32

J 1512

Income-tax Office, 4

Bangalore, 11th May 1932.

My dear Kirkhope,

S.N.3

Please see your demi-official letter No.2999 of 30th April enclosing for my remarks two demi-official

S.N.142

letters Nos.732(II)-IT./32 and 732(III)-I.T./32, dated the 24th March 1932, from the Central Board of Revenue, regarding measures to prevent income-tax evasion.

As a rule, particulars of interest claimed as business deduction are either given by the company or firm, or, if not given, are ascertained by the Income-tax Officer, and made use of. In the case of banks, however, such particulars are not obtained, especially of interest paid on deposits.

I have instructed the Income-tax Officer to note carefully the instructions contained in paras 2 and 3 of Mr. Tottenham's D.O. No.732(II)-I.T./32 of the 24th March 1932 and to apply them in dealing with the assessments of this year.

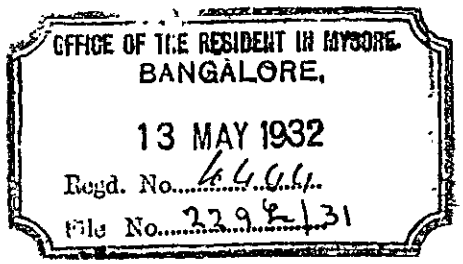
S.N.1

There is no objection to prosecutions in suitable cases where we are reasonably sure of securing convictions, but I am doubtful whether we shall be able to catch men of the type referred to. The offenders are generally middle class business men and small firms.

The suggestion will, however, be borne in mind when we come across suitable cases.

Capt. G. Kirkbride,
Commissioner of Income-tax,
Bangalore.

KMP.



№ 3793 6th June 1932

Draft. D.O. T

From

Captain G. Kirkbride,
Secretary to the Resident.
& Commissioner of Income-tax.

To

Sir Alexander Tottenham, Kt.,
C.I.E., I.C.S.,
Member,
Central Board of Revenue.

S.N.I.

Income-tax evasion - measures to prevent - Your demi-official letter ~~D.O.~~ C.No.732(II)-I.T.32, dated the 24th March, 1932.

Dear Sir Alexander Tottenham,

As a rule, particulars of interest claimed as business deduction are either given by the company or firm, or, if not given, are ascertained by the Income-tax Officer, and made use of. In the case of banks, however, such particulars are not obtained, especially of interest paid on deposits.

I have instructed the Income-tax Officer to note carefully the instructions contained in paragraphs 2 and 3 of your letter and to apply them in dealing with the assessments of this year.

Yours sincerely,

K. Kirkbride
30-6-32

No.3794 6th June 1932

Draft D.O. II

From

Captain G. Kirkbride, I.A.,
Secretary to the Resident in Mysore and
Commissioner of Income-tax,
C & M Station, Bangalore.

To

Sir Alexander Tottenham, Kt.,
C.I.E., I.C.S.,
Member,
Central Board of Revenue.

*S.N.2

Income-tax - Evasion - Measures to prevent - Prosecutions - Your D.O. letter ~~No.~~ C.No.732(III)-I.T./32, dated the 24th March, 1932.

Dear Sir Alexander Tottenham,

There is no objection to prosecutions in suitable cases where we are reasonably sure of securing convictions, but I am doubtful whether we shall be able to catch men of the type referred to. The offenders are generally middle class business men and small firms. The suggestion will, however, be borne in mind when we come across suitable cases.

KK 6/6

Yours sincerely

30-5-32

9/6

D.O. C No. 732(III)-I.T/31 CENTRAL BOARD OF REVENUE,

Simla, the 13th June 19 32.

Dear Kirkbride,

INCOME-TAX - EVASION -MEASURES TO PREVENT - PROSECUTION.

My D.O.C.No.732(III)-I.T/31 dated the 24th March 1932.
Your D.O.No.3794 dated the 6th June 1932.

After studying the replies from all Commissioners of Income-tax to my letter quoted above I have decided that it is not desirable for the Board to fetter the discretion of Commissioners of Income-tax by issuing any hard and fast instructions on this subject. All that I will say is that the Board trusts that Commissioners will not lose sight of the fact that prosecution is one of the weapons in the Department's armoury, and will duly weigh whenever occasion arises the pros & cons of making use of it.

OFFICE OF THE RESIDENT IN MYSORE. BANGALORE. 18 JUNE 1932 Regd. No. 5467 File No. 224/31

Yours sincerely,

A Tottenham

13. 6. 32.

Captain G. Kirkbride,
Secretary to Hon'ble the Resident and
Commissioner of Income-tax, Mysore.

E

Draft.

No. 4250 Rev. 1 28th June 1932

From

The Secretary to the Resident
and
Commissioner of Income-tax.

To

G.H. Cooke, Esq., M.C., I.C.S.,

Collector and Assistant
Commissioner of Income-tax,

Civil & Military Station,
Bangalore.

Subject:- Income-tax - Evasion -
Measures to prevent - Prosecutions

D.O.

My dear Cooke,

With reference to the last

S.N.4. D.O.
paragraph of your letter dated the

11th May, 1932, I forward for your

information, a copy of a demi-official

S.N.7. letter C.No.732(III)-I.T/31, dated

the 13th June, 1932, from the Central

Board of Revenue.

25/6

Yours sincerely,

22-6-32

25/6